



Dermatology

INDUSTRY MARKET UPDATE



ACQUISITIONS
DIVESTITURES
FINANCINGS
RESTRUCTURINGS

Key Statistics

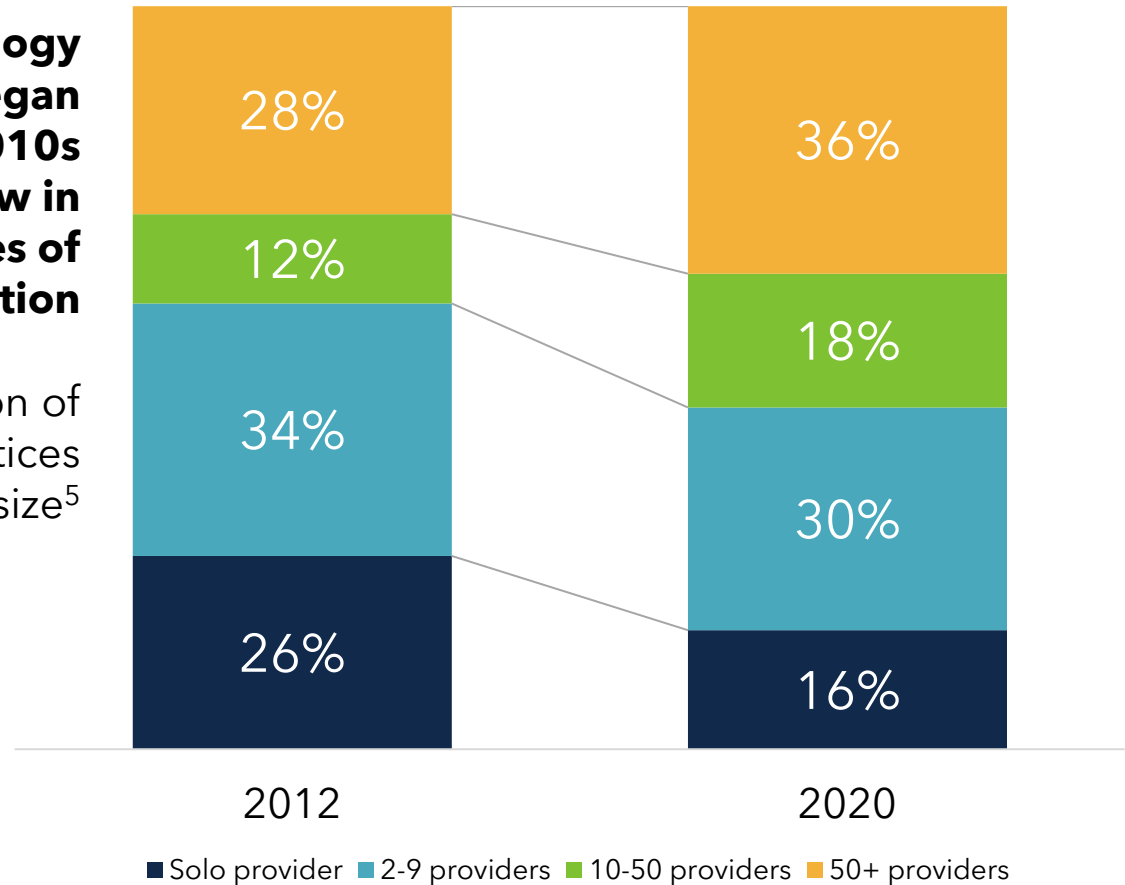
- » More than 9,500 people are diagnosed with skin cancer in the U.S. each day, the majority of which have nonmelanoma skin cancer²
- » 52% increase in nonsurgical cosmetic procedures between 2020 and 2022 while surgical procedure volume rose 18% in the same period³
- » Nearly 4.0M neurotoxin (e.g. Botox) treatments occurred during 2022 in the U.S., the most common nonsurgical cosmetic procedure³
- » More than 125M people have a form of psoriasis worldwide which is about 3% of the global population⁴

Industry Overview

The \$8.9B dermatology industry is expected to continue growing at a 2.6% CAGR through 2029, driven by rising incomes, broader insurance coverage for dermatology procedures, and increased demand for skin care services.

Dermatology consolidation began in the early 2010s and is now in later stages of consolidation

Distribution of dermatology practices by practice size⁵



1 - Archives of Dermatological Research, 2 - American Academy of Dermatology, 3 - American Society of Plastic Surgeons, 4 - International Federation of Psoriasis Associations
5 - IBIS World

Key Trends

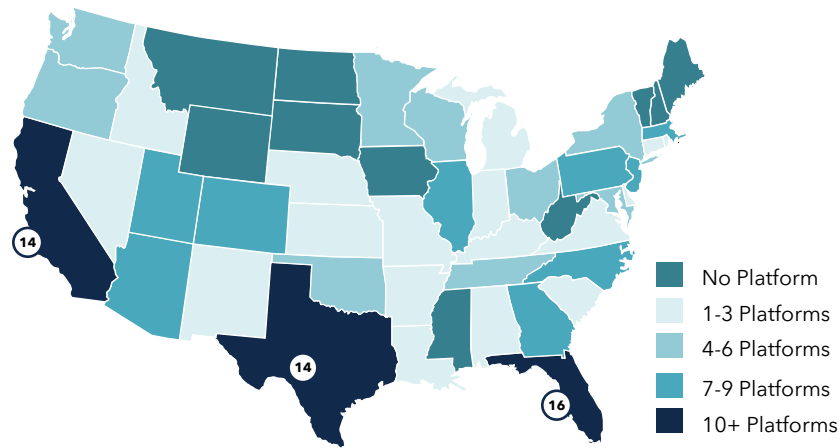
Several key trends are emerging in dermatology:

- » In recent years, small dermatology practices have struggled with rising operating costs, limited access to labor and decreasing reimbursements.
- » In contrast, large dermatology practices have benefited from cost synergies, stronger ability to recruit and retain talent, and greater negotiating power against insurers, helping mitigate pressure on profit margins.
- » Given the benefits of scale, many smaller practices have been consolidated by larger groups. In 2012, 60% of practices had 10 providers or less, while only 46% of practices had less than 10 providers in 2020.
- » Nearly half of all practices indicate the need for additional dermatologists, with wait times exceeding 30 calendar days. The Association of American Medical Colleges predicts a shortage of over 13,000 dermatologists by 2034. The continued shortage of dermatologists is adding significant cost pressure to practices as they fight for talent.

⁽¹⁾ Staffing Industry Analyst (SIA)

Investor Landscape

Number of PE-backed platforms with locations in each state



States situated in the Sun Belt region have experienced the greatest inflow of investment capital. The large aging population and ample sunlight found in this region support demand for dermatology procedures.

Investor Interest

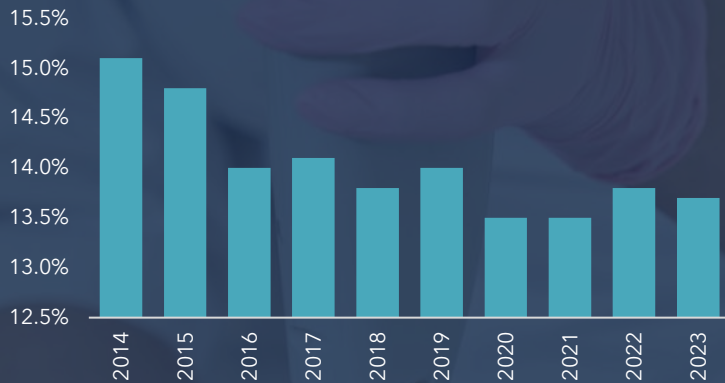
While dermatology has seen significant interest from private equity investors, the market is still consolidating due to several factors:

- » In the backdrop of falling reimbursement rates and widespread labor shortages, investors have pivoted to cash-pay services in aesthetics.
- » In 2023, the aesthetics segment of dermatology saw remarkable interest from private equity groups. Aesthetic deals comprised 63% of deal volume in 2023 compared to just 3% in 2017.
- » The ability to centralize operations, spread overhead over larger revenue, and allow providers to focus on patient care creates significant value for investors and physicians.
- » While the market is still somewhat fragmented, it is in the later stages of consolidation. Valuations are likely to compress in future years as private equity focuses on emerging specialties ripe for consolidation.
- » Practices that offer a mix of medical, cosmetic, and aesthetic dermatology are best-positioned for a sale to private equity. Investors are also attracted to diversification in payor type, especially the cash-pay characteristics associated with aesthetics.



Declining profit & lower reimbursement has driven consolidation and investor interest in cash-pay categories

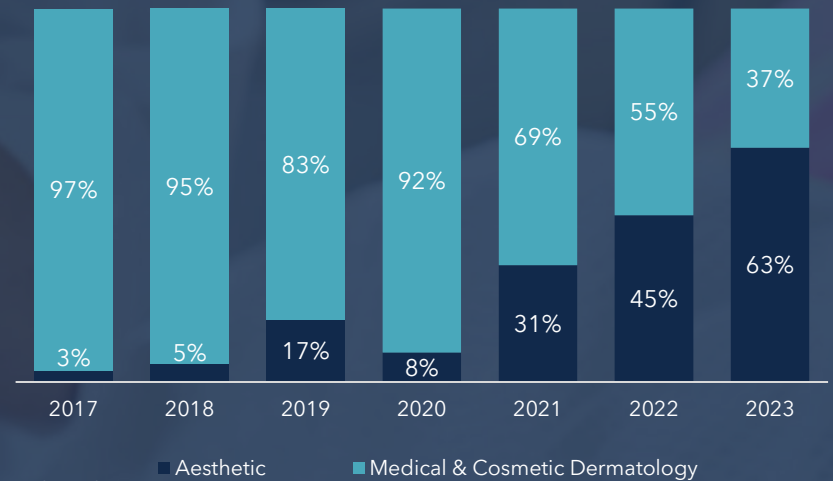
Industry profit as a percent of total industry revenue¹



1 - IBIS World

Investor interest in aesthetics has surged from 3% of deal count in 2017 to 63% in 2023

Percent of dermatology deal count by segment²



2 - PitchBook

The "Second Bite of the Apple"

Date	Seller	Platform	Buyer
Dec-23 2 nd Exit	Clearwater Equity Group	United Skin Specialists	LLR Partners
Oct-23 2 nd Exit	SUSQUEHANNA PRIVATE CAPITAL	PLATINUM DERMATOLOGY PARTNERS	STERLING PARTNERS
Jun-22 2 nd Exit	SHERIDAN CAPITAL PARTNERS	DOCS DERMATOLOGISTS OF CENTRAL STATES	SKYKNIGHT
Feb-22 3 rd Exit	OMERS	FOREFRONT DERMATOLOGY	Partners Group
Feb-22 2 nd Exit	CI CAPITAL PARTNERS	EPIPHANY DERMATOLOGY	LGP LEONARD GREEN & PARTNERS
Oct-21 2 nd Exit	Cressey & Company	qdp QUALDERM PARTNERS	BAYPINE

Recent M&A Activity

DATE	ACQUIRER	TARGET
Dec-23	Skin and Cancer Associates, LLP	Platinum Dermatology Partners
Nov-23	Center for Dermatology Cosmetic Laser Surgery	PhyNet Dermatology
Oct-23	Albemarle Dermatology Associates	DermCare Management
Oct-23	Posh Plastic Surgery	DermCare Management
Oct-23	First OC Dermatology Research	DermCare Management
Oct-23	Bee Caves Dermatology	Epiphany Dermatology
Sep-23	Lee Portnoff, MD, PC	Epiphany Dermatology
Sep-23	SkinMD Dermatology & Skin Enhancement Center	Epiphany Dermatology
Sep-23	Academic Dermatology	PhyNet Dermatology
Sep-23	Delaware Valley Dermatology	The Dermatology Specialists

Select Transactions

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